

Federal Housing Finance Board

§ 966.3

§ 966.2 Issuance of consolidated obligations.

(a) *Consolidated obligations issued by the Finance Board.* The Finance Board may issue consolidated obligations under section 11(c) of the Act (12 U.S.C. 1431(c)), including the determination of the dates of issue, maturities, rates of interest, terms and conditions thereof, and the manner in which such consolidated obligations shall be issued. The Finance Board in its discretion from time to time may delegate this by resolution of the Board of Directors, or may terminate such delegation.

(b) *Consolidated obligations issued by the Banks.* (1) Pursuant to the Banks' housing finance mission set forth in section 2A(a)(3)(B)(ii) of the Act (12 U.S.C. 1422a(a)(3)(B)(ii)), pursuant to the Finance Board's duty to ensure that the Banks carry out that mission and remain adequately capitalized and able to raise funds in the capital markets under section 2A(a)(3)(B)(ii) and (iii) of the Act (12 U.S.C. 1422a(a)(3)(B)(ii) and (iii)), and subject to the provisions of this part and such rules, regulations, terms and conditions as the Finance Board may prescribe, the Banks are authorized to issue joint debt under section 11(a) of the Act (12 U.S.C. 1431(a)), which shall be called consolidated obligations and on which the Banks shall be jointly and severally liable under § 966.9 of this part.

(2) Consolidated obligations shall be issued only through the Office of Finance, as agent of the Banks pursuant to this part and part 985 of this chapter.

(3) The authorization contained herein shall be deemed to constitute satisfaction of the requirement for Finance Board approval of the "terms and conditions" of the consolidated obligations pursuant to section 11(a) of the Act (12 U.S.C. 1431(a)).

(c) *Negative pledge requirement.* Each Bank shall at all times maintain assets described in paragraphs (c)(1) through (c)(6) of this section free from any lien or pledge, in an amount at least equal to a *pro rata* share of the total amount of currently outstanding consolidated obligations jointly issued by the Banks pursuant to section 11(a) of the Act (12 U.S.C. 1431(a)) and by the Finance

Board pursuant to section 11(c) of the Act (12 U.S.C. 1431(c)) and equal to such Bank's participation in all such COs outstanding, *provided that* any assets that are subject to a lien or pledge for the benefit of the holders of any issue of consolidated obligations shall be treated as if they were assets free from any lien or pledge for purposes of compliance with this paragraph (c). Eligible assets are:

- (1) Cash;
- (2) Obligations of or fully guaranteed by the United States;
- (3) Secured advances;
- (4) Mortgages as to which one or more Banks have any guaranty or insurance, or commitment therefor, by the United States or any agency thereof;
- (5) Investments described in section 16(a) of the Act (12 U.S.C. 1436(a)); and
- (6) Other securities that have been assigned a rating or assessment by an NRSRO that is equivalent to or higher than the rating or assessment assigned by that NRSRO to consolidated obligations outstanding.

[65 FR 36298, June 7, 2000, as amended at 67 FR 12853, Mar. 20, 2002]

§ 966.3 Leverage limit and credit rating requirements.

(a) *Bank leverage.* (1) Except as provided in paragraph (a)(2) of this section, the total assets of any Bank shall not exceed 21 times the total of paid-in capital stock, retained earnings, and reserves (excluding loss reserves and liquidity reserves for deposits pursuant to section 11(g) of the Act (12 U.S.C. 1431(g))) of that Bank.

(2) The aggregate amount of assets of any Bank may be up to 25 times the total paid-in capital stock, retained earnings, and reserves of that Bank, provided that non-mortgage assets, after deducting the amount of deposits and capital, do not exceed 11 percent of such total assets. For the purposes of this section, the amount of non-mortgage assets equals total assets after deduction of:

- (i) Advances;
- (ii) Acquired member assets, including all United States government-insured or guaranteed whole single-family or multi-family residential mortgage loans;